



2004 Report

Great-West Life & Annuity Insurance Company



Great-West **Report 2004**

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Great-West Life & Annuity Insurance Company significantly increased our customer base in our core lines of business in 2004. Thanks to a combination of product innovation, organic growth and acquisition, the company attained 9 percent growth in health care membership and a 10 percent rise in the total number of retirement plan participant accounts.



At Great-West, we believe a company's success is measured in large part by its ability to grow, and I'm happy to report that this year's numbers point to key achievements in several areas.

In our Healthcare Division the combined efforts of our sales force, our network contractors, our doctors and nurses, and our service teams produced an increase of 9 percent in our health plan membership. This result reflected both improved sales and, perhaps more importantly, a dramatic increase in the retention rate of existing customers.

With the expansion of our specialty risk market group, we also broadened our pursuit of nontraditional distribution channels and already have begun to see our efforts pay off. One of the nation's largest third-party administrators now offers our extensive provider network and medical management services to its clients.

Confident that employers would embrace consumer-directed health plans, we expanded our product portfolio and introduced a Health Savings Account to complement our already popular Great-West Healthcare Consumer AdvantageSM plan.

We also worked hard to ensure that our health care clients receive value for every dollar they spend. As part of this, we contracted with CorSolutions to build upon our successful disease management program and expanded our relationship with Express Scripts, Inc. for pharmacy benefit management to help contain rising health care and prescription drug costs for our members and their employers. Through expansion of our second-tier network program, we offered members discounts on services from thousands of additional providers.

Our Financial Services Division also achieved important growth milestones. In our Retirement Services area, overall participant accounts jumped 10 percent to 2.5 million. Contributing to this accomplishment was FASCorp, our recordkeeping subsidiary, which added 185,000 institutional participant accounts – a 41 percent increase over 2003.

In the competitive public/nonprofit retirement marketplace, our Government Markets group retained an exceptional 95 percent of clients while adding notable new customers such as the New Jersey Transit Defined Contribution Plans. Our Healthcare Markets sales team gained several new retirement clients as well, including the Christian Missionary Alliance and Community Health Network.

On the corporate retirement side, our 401(k) unit attained increased sales and implemented a new customer relationship service model to further improve retention. We also teamed with a well-known provider of services for defined

contribution plans to introduce a 401(k) product for mid-size companies that is being marketed through both organizations' sales forces and distribution channels.

We successfully completed the integration of a 401(k) recordkeeping subsidiary, EMJAY Corporation, which in turn acquired Metavante 401(k) Services, Inc. The new unit has been renamed EMJAY Retirement Plan Services, Inc., and added 3,000 plan sponsors to our 401(k) block of business.

Recognizing the public's growing interest in investment advice, our registered investment advisor subsidiary, Advised Assets Group, LLC, introduced a program that expands participant-level advice tools into a suite of investment advisory services including professional account management. Already, this useful new program is helping to broaden participation in our retirement products and retain valued customers.

Our Individual Markets lines of business also posted strong results. In our Financial Institutions market, we concentrated on selling life insurance policies to individuals who would continue as clients for the long term, and despite a challenging interest-rate environment, our business owned life insurance team worked aggressively to place new business, securing new premiums of approximately \$53 million.

During the year following the acquisition of Canada Life Financial Corporation by our parent company, Great-West Lifeco Inc., Individual Markets also successfully completed the integration of Canada Life's U.S. business into our operations. These efforts have allowed us to realize significant synergies and economies of scale.

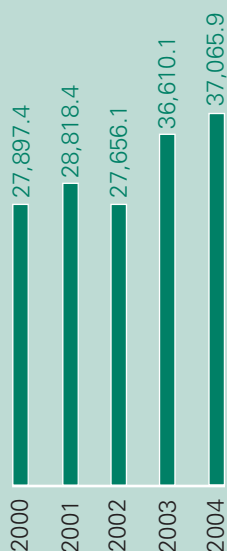
As you review this report, you will see the results of creativity and hard work in our operating divisions. In the coming year we will continue to develop innovative products and work to increase our customer and partnership base. We look forward to 2005 and the new opportunities the year will bring.

Sincerely,



William T. McCallum
President & CEO
Great-West Life & Annuity Insurance Company



Total Assets
Dollars in Millions

Balance Sheet
Dollars in Millions

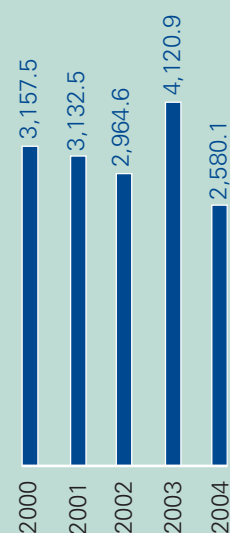
	2004	2003	2002	2001	2000
Assets					
Bonds	13,215.1	13,136.6	10,371.2	10,116.2	9,419.9
Mortgages	1,543.5	1,893.7	417.4	613.5	843.4
Equities	637.4	427.8	93.9	85.2	201.7
Policy loans	3,548.2	3,389.5	2,964.0	3,000.4	2,810.0
Short-term investments	708.8	852.2	709.8	424.7	414.3
Total invested assets	19,653.0	19,699.8	14,556.3	14,240.0	13,689.3
Cash	110.5	151.3	154.6	213.7	154.0
Receivables	1,788.6	2,013.0	515.0	645.9	791.9
Other assets	1,358.4	1,570.5	1,091.8	1,134.1	881.1
Total General Account	22,910.5	23,434.6	16,317.7	16,223.7	15,516.3
Separate Account assets	14,155.4	13,175.5	11,338.4	12,584.7	12,381.1
Total assets	37,065.9	36,610.1	27,656.1	28,818.4	27,897.4
Liabilities					
Policyholder	18,748.7	19,526.2	13,006.9	12,930.5	12,825.3
General	2,117.4	2,021.8	1,646.3	1,832.7	1,263.6
Separate Account	14,155.4	13,175.5	11,338.4	12,584.7	12,381.1
Total liabilities	35,021.5	34,723.5	25,991.6	27,347.9	26,470.0
Stockholders' Equity					
Common equity before adjustment	1,925.6	1,758.8	1,513.9	1,394.0	1,393.7
SFAS 115 adjustment*	118.8	127.8	150.6	76.5	33.7
Total stockholders' equity	2,044.4	1,886.6	1,664.5	1,470.5	1,427.4
Total liabilities and equity	37,065.9	36,610.1	27,656.1	28,818.4	27,897.4

**To reflect the difference between amortized cost and market values (net of offsets) for those assets classified as available for sale.*

Statement of Income
Dollars in Millions

	2004	2003	2002	2001	2000
Revenues					
Premiums	573.3	2,252.8	1,120.1	1,203.6	1,332.6
Fee income	915.6	840.1	883.5	947.3	871.6
Net investment income	1,033.3	988.4	919.4	934.8	925.0
Net realized gains	57.9	39.6	41.6	46.8	28.3
Total revenues	2,580.1	4,120.9	2,964.6	3,132.5	3,157.5
Benefits and Expenses					
Policy benefits	766.4	575.1	944.0	1,031.7	1,127.8
Increase (decrease) in reserves	(256.9)	1,501.5	71.3	58.4	53.6
Interest paid/credited	517.5	514.9	498.6	530.0	490.1
Policyholder dividends	108.8	92.1	78.9	76.5	74.4
Commission and operating expenses	967.7	965.7	958.1	1,021.2	1,018.5
Total benefits and expenses	2,103.5	3,649.3	2,550.9	2,717.8	2,764.4
Net operating income before income taxes and special charges	476.6	471.6	413.7	414.7	393.1
Provision for income taxes	150.2	153.6	130.2	141.1	134.0
Net income before special charges	326.4	318.0	283.5	273.6	259.1
Special charges (net)	—	—	—	80.9	—
Net income	326.4	318.0	283.5	192.7	259.1

Total Revenue
Dollars in Millions



Great-West serves millions of Americans through a full range of health care, life and disability insurance, annuities, and retirement savings plans and services.

Total Company

Net Income

\$326 million

Stockholders Equity

\$2 billion

Return on Common Equity

16.6 percent

Assets

\$37.1 billion

Employees

6,200

Financial Services

Assets Administered

\$59.5 billion

FASCorp Recordkeeping Accounts

2.5 million

Individual Life Policies

282,000

COLI/BOLI Policies

50,000

Healthcare

Health & Life Equivalent Premium

\$5.6 billion

Medical Members

2 million

Health & Life Employer Groups

5,200

Approximate as of Dec. 31, 2004

Ratings

Great-West is rated by a number of nationally recognized rating agencies. The ratings represent the opinion of the rating agencies regarding the financial strength of Great-West and its ability to meet ongoing obligations to policyholders. Great-West has consistently received high marks from industry sources for financial strength and operating performance.

A.M. Best Company, Inc.	A+ ¹
Fitch Ratings	AA+ ²
Moody's Investors Service	Aa3 ³
Standard & Poor's Ratings Services	AA ⁴

¹ Superior (highest of 10 categories) – Measured on financial strength, operating performance, and business profile

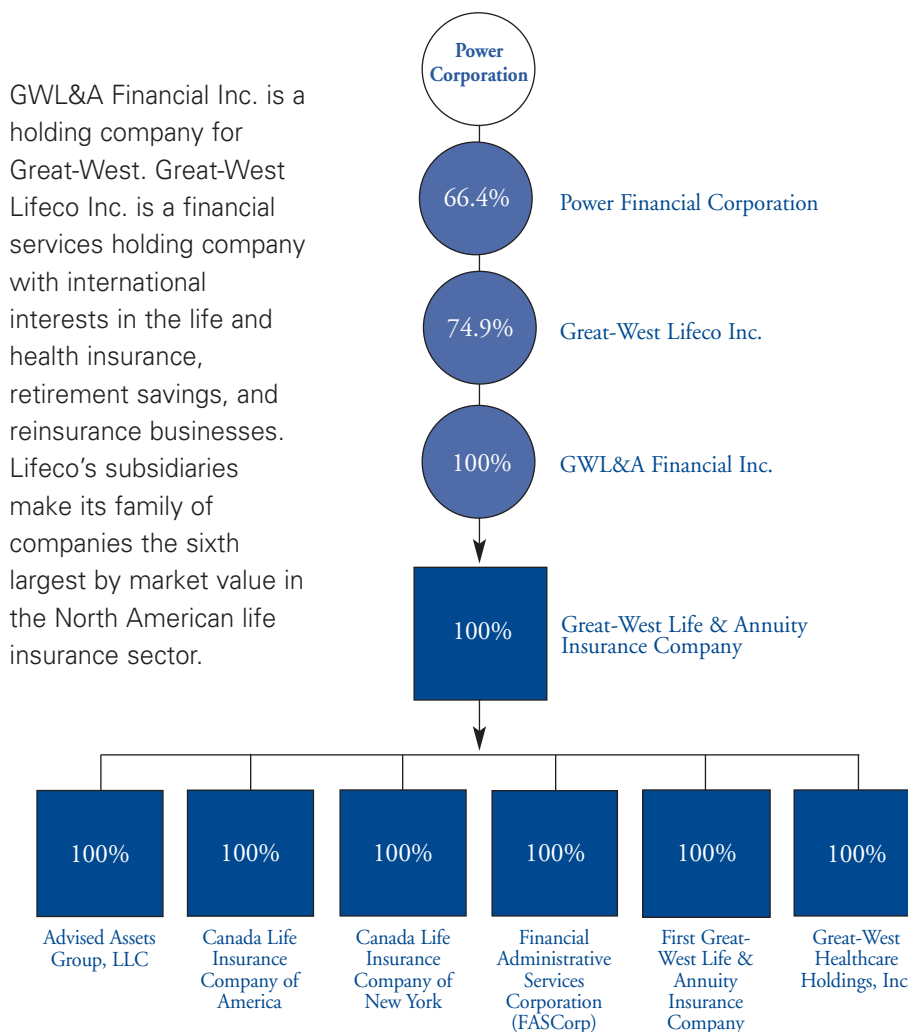
² Very Strong (second highest of eight categories) – Measured on financial strength

³ Excellent (second highest of nine categories) – Measured on financial strength

⁴ Very Strong (second highest of nine categories) – Measured on financial strength

Organizational Chart

Great-West Life & Annuity Insurance Company is an indirect, wholly owned subsidiary of Great-West Lifeco Inc. and a member of the Power Financial Corporation group of companies.



Investment Management

Great-West takes pride in the strength of our portfolio and our adherence to sound investment principles. Our Investment Management group identifies, evaluates, purchases, and monitors investments for the company's general account, consisting of funds generated by the Financial Services and Healthcare lines of business, and is responsible for the separate accounts the company manages and invests on behalf of our customers.

Invested assets at Dec. 31, 2004, totaled \$33.8 billion, comprising general account assets of \$19.6 billion and separate account assets of \$14.2 billion. Net investment income earned for the year was \$1 billion.

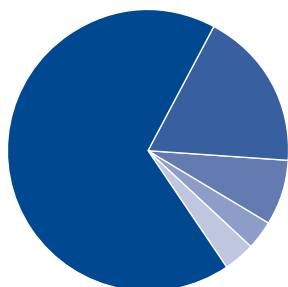
Our general account portfolio is managed in-house and consists primarily of high-quality fixed-income investments. Of these, over 97 percent are investment grade, with 57 percent rated AAA. The weighted average quality of the long-term bond portfolio is AA-. Our separate account assets are invested and managed in-house and by select third-party vendors.

Great-West continues to seek appropriate, quality investments and identify new opportunities. In 2004 we significantly increased our stake in privately placed securities, affording attractive returns relative to their risk characteristics. Highly liquid, publicly traded long-term bonds still make up 61 percent of our long-term bond portfolio. The strengthening of our commercial mortgage investment group created additional investment opportunities.

Through our proactive portfolio management policies and dedication to the fundamental principles of quality, liquidity, and diversification, we remain committed to maintaining a strong balance sheet.

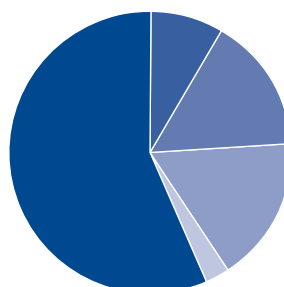
Invested Assets

Dollars in Billions



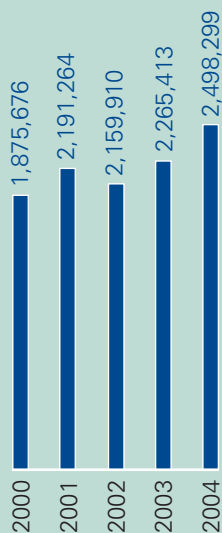
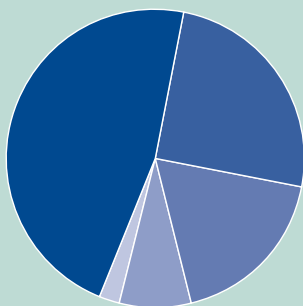
■	Bonds – \$13.2
■	Policy Loans – \$3.6
■	Mortgages – \$1.5
■	Stock & Real Estate – \$0.6
■	Short-term Investments – \$0.7

Portfolio Quality



■	AAA – 56.9%
■	AA – 8.2%
■	A – 15.6%
■	BBB – 16.7%
■	BB – 2.6%



FASCorp Participant Accounts**Retirement Services Pension Plan Participants by Market**

- *Government – 1,161,064*
- *Institutional – 634,941*
- *Corporate 401(k) – 449,365*
- *Healthcare – 211,603*
- *Education – 41,326*

Total FASCorp Administration & Recordkeeping – 2,498,299

*Products and Services***Financial Services**

- Retirement plans for public, private and non-profit employers
- Enrollment services, communication materials, investment options, and education services to employer-sponsored defined contribution plans
- Comprehensive administrative and recordkeeping services for financial institutions and employer-sponsored defined contribution plans
- Customized individual life insurance and annuity products
- Business Owned Life Insurance products

Healthcare

- Consumer-Driven Health (CDH) plans, Preferred Provider

Organizations (PPO), Point-of-Service (POS) plans, Health Maintenance Organizations (HMO), Open Access plans, and COBRA services

- Disease management, complementary alternative care, managed mental health, maternity and neonatal programs, and other health care management services to employer-sponsored health plans
- Group dental and vision plans, term and optional term life insurance, short-term and long-term disability insurance, and Section 125/129 plans (flexible benefits accounts)
- Nationwide physician, hospital, and preferred pharmacy networks

*Distribution Systems***Financial Services**

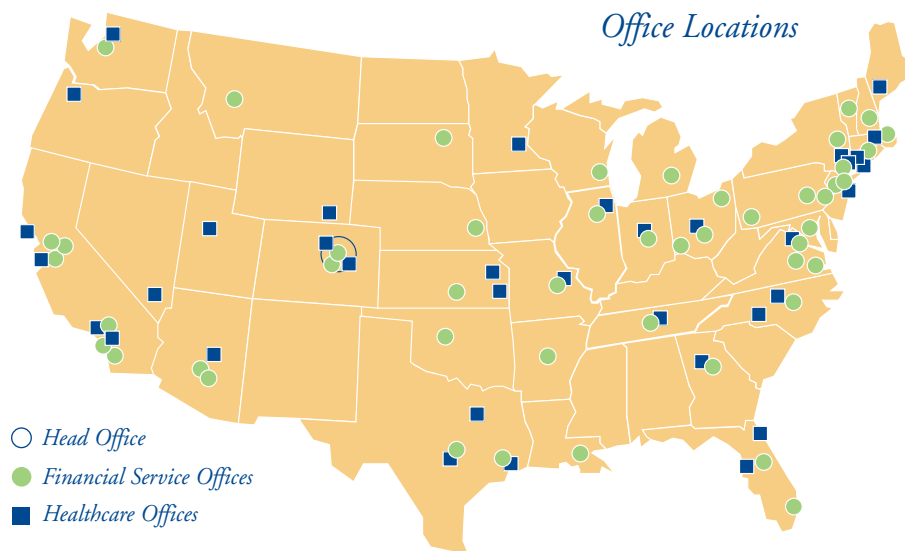
- Defined contribution services are distributed by Great-West and its affiliates and a network of independent agencies
- FASCorp distributes its recordkeeping and administrative services directly to financial institutions
- Customized individual life insurance and annuity products

are distributed through financial institutions such as banks and discount brokers

- Business Owned Life Insurance products are distributed through Clark Consulting and SunTrust

Healthcare

- 400 sales and service staff serve our customers through group sales offices across the United States



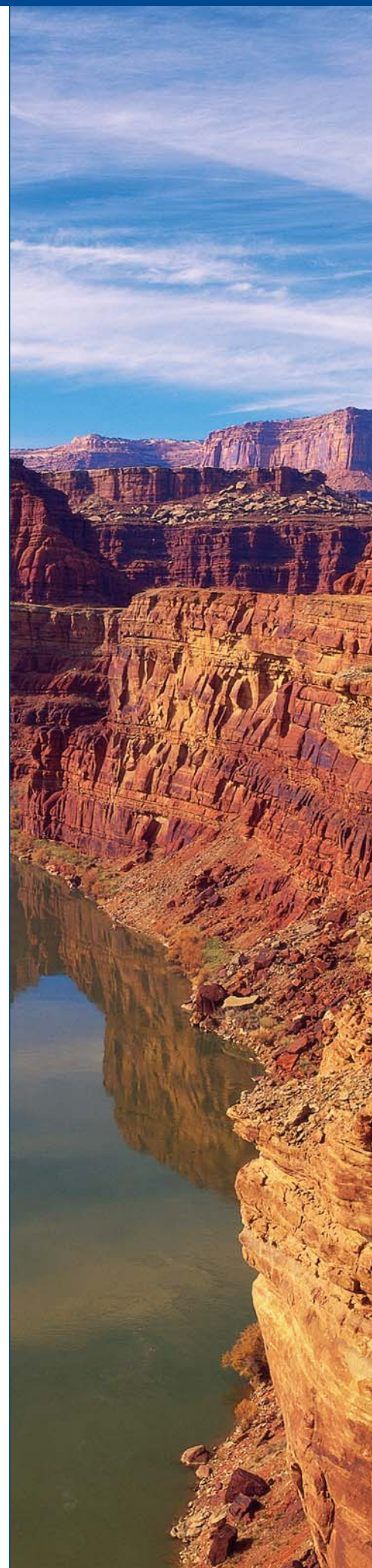
Community Support

Great-West is committed to social responsibility in all its activities. We strive to make corporate citizenship a priority in the communities where we operate and to support our employees in their charitable activities.

The primary objectives of our Community Support Program are to support organizations that meet vital needs in the Denver metro area, where we have our headquarters, and to support our employees' involvement in their communities around the country.

Our funding priorities are direct services – focusing on organizations that provide access to affordable health care, shelter, nutrition and education to people who otherwise would not be able to receive them – and employee community involvement. Great-West encourages our employees to participate in charitable nonprofit organizations and events and supports their efforts through several programs:

- Volunteer Match Program – matching the time employees volunteer at eligible organizations at an hourly rate as well as matching money raised by employees for eligible fund-raising events dollar for dollar.
- Financial Match Program – matching employees' personal financial contributions to eligible organizations dollar for dollar.
- Annual Giving Campaign – matching every dollar contributed by employees in our yearly combined campaign with 50 cents.



The Financial Services Division helps provide financial security for our customers through employer-sponsored defined contribution retirement plans, deferred compensation plans, and corporate 401(k) plans for a variety of markets. We also provide annuities and life insurance policies for individuals, families and corporate executives. Through FASCorp, we offer private-label recordkeeping and administrative services for other providers of defined contribution plans as well as the Great-West family of companies.

A year of growth and expansion

Our Financial Services Division experienced success in 2004 with an increase in the number of plans and participants served through our Retirement Services unit and growth in our Individual Markets lines of business.

As a longstanding leader in providing defined contribution products and services to corporate, government, healthcare/non-profit, and institutional clients, our Retirement Services unit increased its participant base to 2.5 million accounts in 2004.

Great-West Retirement ServicesSM introduced leading-edge investment advice and managed account services to our plan sponsors. Through Advised Assets Group, LLC (AAG), Great-West's registered investment advisory subsidiary, we offered retirement plan participants the option of having their accounts professionally managed. AAG continued to provide clients with investment advisory tools and the information they need to navigate the complexities of the investing environment in the wake of mutual fund investigations and regulatory reform.

Working with American Express Retirement Services*, we introduced the NEXTPlanSM 401(k) product for mid-size companies – a collaborative product design and sales effort using the distribution channels of both organizations.

At the end of 2004, our 401(k) administration subsidiary EMJAY Corporation acquired Metavante 401(k) Services, Inc. The new unit, renamed EMJAY Retirement Plan Services, Inc., serves 3,000 plan sponsors and the acquisition is expected to open doors to additional business opportunities.

Our Individual Markets unit achieved strong sales in Financial Institutions Markets in 2004 as well as growth in Business Owned Life Insurance and Education Markets. The innovative Educator\$MoneySM retirement plan product also generated exciting growth for our traditional Education Markets business in 2004.

RETIREMENT SERVICES

A continuing commitment to the foundation of our business - the government and healthcare/non-profit retirement plan markets – was complemented by further expansion into the institutional and 401(k) growth markets in 2004. Through acquisition and increased distribution, the Retirement Services unit achieved growth and aggressive revenue goals.

Corporate 401(k) Markets team increases sales

A focused distribution and service approach contributed to increased corporate 401(k) sales and retention in 2004. Working with brokers, consultants, and other business partners, we revised our Great-West Key product portfolio to create broader appeal and provide flexibility for larger plan prospects. To enhance client support and customer service, we introduced five regional directors to lead our team of client relationship managers.

Our sales force also began marketing a new product developed in conjunction with American Express Retirement Services*. NEXTPlan, designed for employers with \$5 million to \$50 million in plan assets, includes investment options, administration, education, and recordkeeping services. Great-West will also provide online plan administration and participant tools as well as communication materials fulfillment.

*Registered investments and financial planning services are offered through American Express Financial Advisors Inc. Member NASD. American Express Company is separate from American Express Financial Advisors Inc. and is not a broker-dealer. Retirement plan services are offered through American Express Trust Company. Directed trustee services are offered through Orchard Trust Company.

With increased sales and retention and a positive market response to our new and revised product offerings, we expect to carry our growth momentum into 2005 with an expanded sales force.

Government Markets group leads among state plans

Solid partnerships with government plan sponsors helped Great-West maintain its position as the largest provider of services to state defined contribution plans, according to figures maintained by Great-West, with 14 of 50 state clients as well as the government of Guam. In the city, county, and political subdivision market, we are the second-largest provider. Growth in these markets helped us increase the participant count from this segment by 7 percent in 2004, resulting in more than 1.16 million participant accounts in the government market.

While there were few opportunities for new sales to large government plans, we secured a major new client in the New Jersey Transit Defined Contribution Plans. Our retention efforts were successful – with a number of cases up for review in 2004, we retained 100 percent of our large governmental plans. Among clients of all sizes, we retained more than 95 percent of the plans up for renewal.

The customized participant communication materials for several of our government clients garnered awards from *Pensions & Investments* magazine and The National Association of Government Defined Contribution Administrators (NAGDCA).

A reorganization of the Government/Healthcare/Non-Profit field organization was completed in 2004 to improve the focus on effective plan management and services for plan sponsors and participants. Launching the first phase of an enhanced field service model, we introduced our Four Dimension program. This innovative strategy offers a proactive, measurable approach to increasing participation, providing education, encouraging appropriate asset allocation, and meeting the information needs of retired participants for every government plan we service.

Healthcare and Nonprofit Markets approach aids clients

In the face of new industry requirements for mutual fund disclosures, our Partnership Plus approach to fully disclosing all revenue and expenses gave our healthcare retirement clients an advantage in complying with more stringent expectations in 2004. We offered several strategic initiatives in support of this increased scrutiny, including investment policy guideline support and annual fund performance reviews as well as participant advice and managed accounts through AAG.

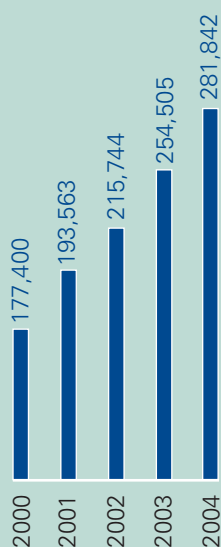
A consistent presence in the market helped us meet aggressive retention goals and establish relationships with several new clients including the Christian Missionary Alliance and Community Health Network.

Our plans for introducing combined defined benefit and defined contribution (DB/DC) investment and administration services in 2005 will position us to meet a growing client demand for more comprehensive outsourcing of all retirement plan needs.

FASCorp – Institutional Markets business expands

Capitalizing on our ability to provide private-label recordkeeping services to institutional partners, FASCorp increased institutional participant levels by 41 percent in 2004. That growth helped propel Great-West Retirement Services' overall participant count to 2.5 million and reinforced FASCorp's position as a leading provider of retirement plan recordkeeping and administrative outsourcing services for major institutions in the financial services industry.



Total Individual Life Policies

In addition to serving as recordkeeper for the new collaborative 401(k) product, FASCorp established a new partnership with Fifth Third Bank. We launched a new product for Fifth Third and successfully converted a large portion of their existing block of retirement business to our recordkeeping platform.

Following the acquisition in late 2003 of EMJAY Corporation, a former Wells Fargo subsidiary specializing in 401(k) administration and service, we successfully integrated its operations into FASCorp.

Industry conditions, the economy, and the government regulatory environment indicate the trend to outsource retirement administration and recordkeeping functions is likely to accelerate. With a comprehensive product and service offering focused on client-specific needs, FASCorp is well positioned to achieve increased growth in the years ahead.

INDIVIDUAL MARKETS

The Individual Markets team continued to establish market share within Financial Institutions Markets in 2004 while achieving encouraging growth in Business Owned Life Insurance during a period of low interest rates. We also enjoyed success in our traditional Education Markets retirement business and exciting growth in our innovative Educator\$Money retirement plan offering. Following the acquisition of Canada Life Financial Corporation by our parent company, Great-West Lifeco Inc., in 2003, we completed our integration of Canada Life's individual life insurance and annuity business in the United States.

Financial Institutions Markets poised for growth

The Financial Institutions Markets group provides simple and transactional insurance solutions for financial institution customers. Sales remained strong for individual term and whole life insurance policies through financial institutions in 2004. Placed policies for 2004 were at similar levels as 2003, as a result of our emphasis on selling only quality business that would remain with the company for the long term.

During the year, we added several new financial institution partners, launched a new term insurance product, and transitioned most of our partners to our online sales system. We also implemented retention improvement efforts that included requiring premium payments with applications, accepting credit card payments, and drafting two payments following a month when a customer's automatic draft account reflects insufficient funds. Preliminary research indicates these programs are reducing the number of policies terminated for failure to pay premiums.

We participated in an industry association's annual conference, presenting jointly with one of our largest partners, and Great-West was named to the association's board for a two-year term. We also supported the national LIMRA Life Insurance Awareness Month campaign by developing and distributing consumer materials to generate awareness about the need for life insurance.

In 2005, we will concentrate on increasing our number of placed policies, improving our retention, and increasing our partnership base. We also plan to launch new market-driven products, including a single premium whole life product, and value-added service enhancements for existing partners. At the close of 2004, we conducted qualitative research to help us formulate plans for new product development and began laying the groundwork for electronic signatures on applications for online prospects, with a pilot program scheduled for 2005.

Business Owned Life Insurance perseveres

The Business Owned Life insurance (BOLI) group continued its focus on the corporate and financial institution benefit plan market through a core distribution partnership with Clark Consulting. The BOLI team offers creative and flexible solutions to clients that wish to finance nonqualified executive retirement plans through the use of life insurance. To boost sales volume, we strengthened relationships with key consultants and worked collaboratively to create more efficient product designs.

In 2004, we redesigned one of our variable universal life products. We also launched several market initiatives, hired a sales representative to build relationships with consultants, and developed new marketing materials to communicate our proprietary strengths and expertise. Despite a challenging environment of low interest rates, we secured new premiums of approximately \$53 million in 2004.

For the coming year, the economic outlook appears to be improving and the legislative environment has stabilized considerably. Higher interest rates should give us a more competitive product for the bank-owned life insurance marketplace. For the executive benefits financing market, the redesigned variable universal life product is expected to generate substantial sales opportunities in 2005.

Education Markets boosted by Educator\$Money

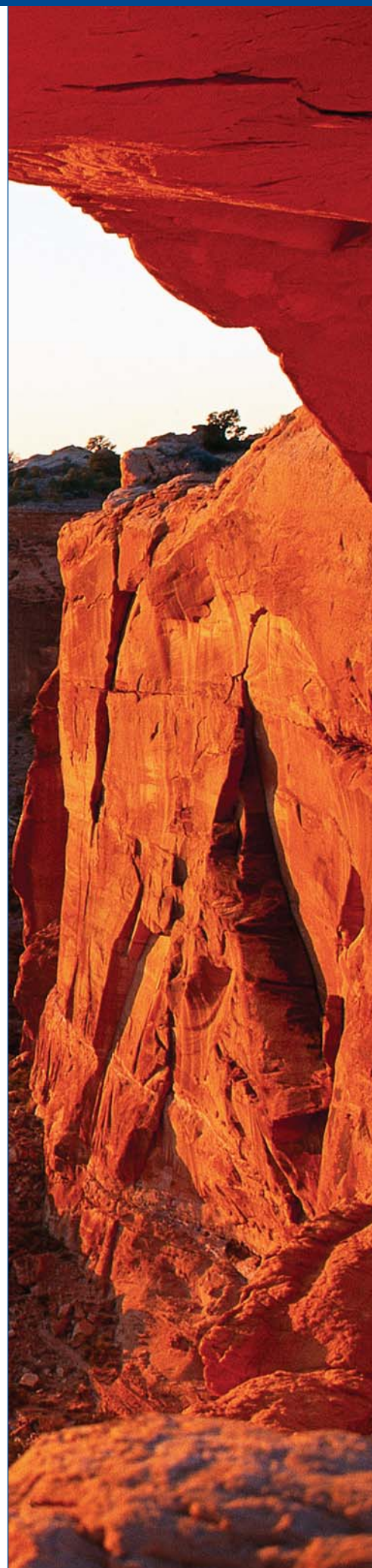
Value-based retirement solutions offered by our Education Markets group attracted new clients and assets in 2004. Educator\$Money, a low-cost mutual fund retirement savings and investment program, is accessible to educators through a Web site, call center, group meetings and enrollment kits. The program grew from roughly \$8.5 million in assets and 3,400 participants at the end of 2003 to over \$18 million in assets and more than 9,200 participants at the end of 2004.

Educator\$Money added two large K-12 school district clients with approximately 25,000 employees each: Fairfax County (Va.) Public Schools and Dallas Independent School District. We also signed a contract with the Pennsylvania State Education Association.

In 2005, we plan to enhance our education and communication efforts to help educators take control of their retirement savings, while providing exceptional service and support to our key distributors as well as our traditional variable annuity customers.

Canada Life integration emphasizes service, retention

With the completion of the integration of Canada Life's U.S. business, Individual Markets expanded its in-force block of individual life insurance (participating and non-participating whole life, term, and universal life insurance) and wealth management products, including variable annuities, single premium immediate annuities, structured settlements and guaranteed investment contracts. We remain focused on maintaining our high level of customer service as well as enhancing retention for this closed book of business.



Great-West Healthcare is a national employee benefits provider with expertise in self-funding and creative health care management solutions. Our product line includes traditional group health plans as well as consumer-driven plans that are supported by our nationally recognized disease management program. Other services include COBRA, HIPAA and flexible spending account administration; dental and vision plans; life insurance benefits, and short-term and long-term disability coverage.

An enhanced product portfolio, increased sales productivity, and improved persistency helped drive membership growth in our Healthcare Division in 2004.

Our Great-West Healthcare Consumer AdvantageSM plan proved successful, attracting more than 460 employer groups and over 51,000 members by year-end. This first-to-market consumer-driven PPO provides employers with a more affordable option than a traditional plan design and engages employees in health care decisions.

Strengthening our consumer-driven product portfolio, we worked with Mellon Financial Corporation to develop a health savings account (HSA) for employer-sponsored health plans. This new offering pairs a high-deductible health plan administered by Great-West Healthcare with an HSA administered by Mellon.

The HSA allows employers and employees to contribute to savings accounts that can be used to pay for qualified medical expenses and grow tax-free for future medical and retiree health expenses. Sales began in the fourth quarter for the new option available in January 2005.

Our sales organization demonstrated greater efficiency in 2004, with a smaller sales force delivering higher membership gains. In our three market segments defined by employer size, we achieved strong growth in select (50-250 employees) and mid-market accounts (250-2,500 employees) and improved membership retention in national accounts (2,500+ employees).

Specialty risk segment opens new avenues

In addition, we expanded our specialty risk market segment, which focuses on third-party administrators (TPAs) and other specialized distribution channels. Through agreements with selected TPAs that sell our stop-loss service and offer their clients access to our provider network and medical management services, we extended our reach into previously untapped markets.

New relationships with TPAs contributed to our membership increase and brought economies of scale for future revenue growth. One of the nation's largest TPAs, Acordia National, will use our provider network and industry-leading Medical OutreachSM program – encompassing care management, disease management, and online health management tools – to serve its customers.

For the second consecutive year, Great-West Healthcare earned recognition for the Best Disease Management Program for a National PPO. The annual award is bestowed by the Disease Management Association of America for commitment to disease management, use of science in program design, excellence in implementation, and favorable outcomes.

Our program helps group health plan employees and their dependents manage conditions such as asthma, cancer, diabetes, emphysema, heart disease and premature births. In turn, employers benefit from reduced hospitalization costs, decreased absences and better productivity.

Experience demonstrates our disease management program can deliver a 2-to-1 return on investment and save employers between \$270 and \$1,000 per enrolled member per year. Our savings methodology was verified through the certification process of the Disease Management Purchasing Consortium International Inc., which offers assistance in disease management strategy.

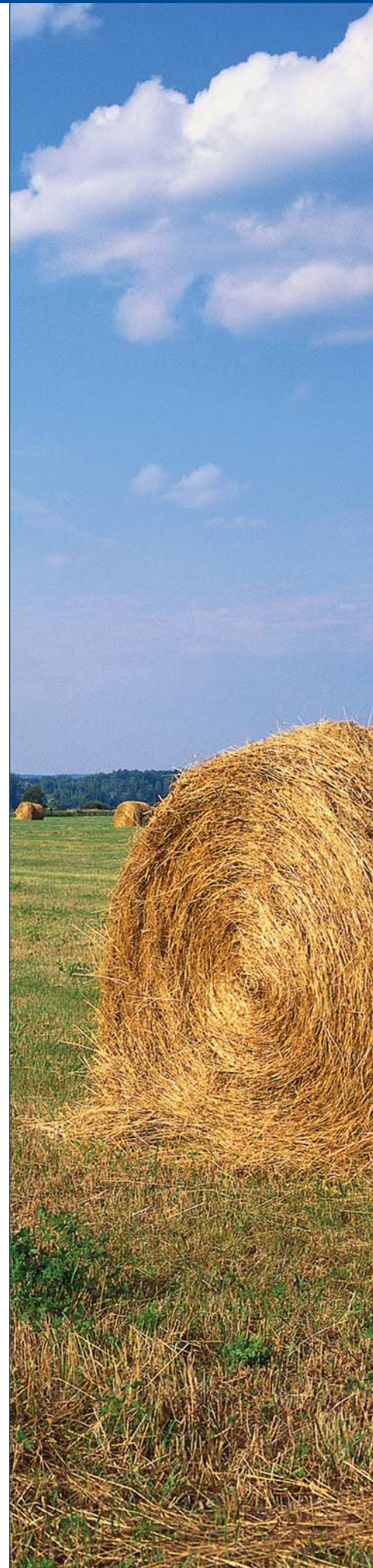
To further enhance our disease management program and increase participation, we contracted with CorSolutions Inc., a leading provider of health intelligence solutions. CorSolutions assists with data analysis, risk assessment, and predictive modeling for client groups and provides an interactive health and wellness Web site for members.

Education program maps route to savings

Supporting businesses in controlling health care costs and members in making informed decisions, we rolled out Driver's Ed – Roadmap to Smart Health Care ChoicesSM. The nationwide program, available to our 5,200 employer customers, offers consumers "rules of the road" for getting the most out of their health plans. Each edition of our online monthly newsletter for members covers three topics: the true cost of health care, how consumer decisions help control costs, and how members can save money.

We continued our focus on programs that benefit members and deliver savings to employers. By expanding our second-tier network program, we offered our members discounts on services from thousands of additional providers outside our proprietary network. Our partnership with Express Scripts, Inc. for pharmacy benefit management is expected to result in improved drug pricing and better reporting of costs for clients in 2005.

Adding to our name recognition and visibility were event sponsorships and a targeted advertising campaign that reinforced our brand and message. The theme – NEW IDEAS FROM THE FRONTIER OF HEALTH CARE – expresses our strategy for delivering innovative, affordable benefits plans to businesses as we build on our strengths in self-funding, creative solutions, and medical management expertise.



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